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MATTAGAMI LAKE MINES LIMITED

(NO PERSONAL LIABILITY)

ANNUAL
REPORT

1967

ANNUAL MEETING — Mattagami Lake Mines Limited. Le
Chateau Champlain, Montreal, Quebec, on Wednesday the 17th day
of April, 1968, at 11:30 o'clock in the forenoon (Montreal time).

MATTAGAMI LAKE MINES LIMITED *(Incorporated under the laws of Quebec)*
(NO PERSONAL LIABILITY)

HEAD OFFICE: MATAGAMI, QUEBEC

EXECUTIVE
OFFICE 44 King St. West, Toronto, Ontario

MINE OFFICE Matagami, Quebec

MINE MANAGER M. W. AIRTH

AUDITORS PEAT, MARWICK, MITCHELL & CO.
Toronto, Ontario

REGISTRAR AND
TRANSFER AGENT CANADA PERMANENT TRUST
COMPANY
Vancouver, Calgary, Saskatoon, Win-
nipeg, Toronto, Montreal, St. John,
N.B., Halifax, Charlottetown, St.
John's, Nfld.

SOLICITORS MILLER, THOMSON, HICKS,
SEDGEWICK, LEWIS & HEALY

BANKERS CANADIAN IMPERIAL BANK
OF COMMERCE
THE BANK OF NOVA SCOTIA

DIRECTORS	J. M. R. CORBET	Toronto
	R. G. DUTHIE	Vancouver
	R. LETOURNEAU	Quebec
	T. H. McCLELLAND	Vancouver
	R. V. PORRITT	Toronto
	J. B. REDPATH	Toronto
	W. S. ROW	Toronto
	W. DENT SMITH	Toronto
	K. J. SPRINGER	Toronto

OFFICERS	W. S. ROW	President
	T. H. McCLELLAND	Vice-President
	R. C. ASHENHURST	Secretary and Treasurer
	B. C. BONE	Assistant Treasurer

REPORT OF THE DIRECTORS

To the Shareholders:

Your Directors submit herewith the Ninth Annual Report of your Company for the year ended December 31, 1967 which includes the Financial Statements, the Auditors' Report thereon and the Report of the Manager.

Ore milled during the year was 1,414,000 tons, approximately the same as in 1966. As anticipated, the grade of ore milled in 1967 was close to that of the ore reserves. The reduction in the grade of ore milled, compared with the previous year, together with a lower price for zinc, reduced the net profit for the year to \$10,926,000 or \$1.65 per share. It is estimated that ore grade for 1968 will be close to the grade of the ore reserves.

For 1966 the profit reported was overstated by some \$688,000. This over-statement of profit has been corrected in the Comparative Financial Statements included with this Annual Report.

Interim dividends of twenty-five cents per share were paid quarterly throughout the year and an extra twenty-five cents was paid in December, making a total dividend payment for the year of \$8,250,000 or \$1.25 per share.

A further interim dividend of thirty cents per share has been declared payable on the 21st of March, 1968.

A modest program of outside exploration has been undertaken from an office established in Toronto.

AT THE MINE

Mining operations were normal during the year. Ore reserves were depleted by 758,000 tons through the mining of 1,420,000 tons and the addition of 656,000 tons of new ore.

ZINC REDUCTION PLANT

The Canadian Electrolytic Zinc plant (62½ % owned by the Company) produced a record of 119,500 tons of slab zinc (327 tons per day), 121,300 tons of sulphuric acid and 538,950 pounds of cadmium.

General Smelting Company of Canada Ltd. (wholly-owned by Canadian Electrolytic Zinc Ltd.) undertook a modest expansion program which was virtually completed by year-end. Production and profits were both higher than for 1966.

METAL MARKETS

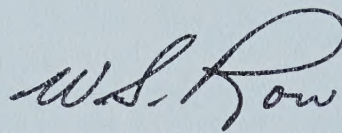
Free World zinc consumption in 1967 fell slightly to 3,650,000 tons from 3,700,000 tons. Metal production was unchanged, and mine production rose seven per cent to a further new high of 4,200,000 tons with Canadian production accounting for thirty per cent of the total. With U.S. deliveries off thirteen per cent, smelter stocks rose during the first half. A new restrictive U.S. import quota scheme was proposed but was strongly opposed by the Administration. Since July strikes have occurred at several zinc plants reducing U.S. production and stocks.

U.S. and Canadian prices were lowered $\frac{3}{4}\text{¢}$ to $13\frac{3}{4}\text{¢}$ per pound in May and again to $13\frac{1}{2}\text{¢}$ in June. The overseas price also declined the equivalent of $\frac{1}{2}\text{¢}$ U.S. to $12\frac{1}{4}\text{¢}$ per pound in June.

The copper market in 1967 was dominated by the U.S. industry strike which reduced mine production by some 650,000 tons. Precautionary inventory buying by U.S. fabricators in the first half strengthened demand in the U.S.A. at a time when activity slackened overseas and shipments improved from Africa. Following the strike at mid-July pressure on supplies steadily increased and will continue until supplies are re-established after settlement. The Canadian price was increased by $3\frac{3}{4}\text{¢}$ to 51¢ C.F. per pound in November.

The Directors express their appreciation to Mr. M. W. Airth, Manager, the staff and all other employees for the way in which they have discharged their responsibilities during the year.

On behalf of the Board,



President.

Toronto, Ontario,
February 20, 1968.

REPORT OF THE MANAGER TO The President and Directors MATTAGAMI LAKE MINES LIMITED

Operations at the property during the year ended December 31st, 1967 are reviewed in the following report.

The mill and plant operated at capacity for the full year. Average daily mill rate during 1967 was 3,874 tons compared with 3,866 tons daily during 1966.

PRODUCTION:

	1967	1966
Ore milled dry tons	1,414,136	1,411,100
Daily rate	3,874	3,866
Calculated Grade		
Zinc %	10.0	13.2
Copper %	0.61	0.62
Gold oz/ton	0.011	0.014
Silver oz/ton	0.85	1.04
Zinc Concentrate Produced		
Short dry tons	248,352	333,753
Grade Zinc %	51.7	52.0
Copper Concentrate Produced		
Short dry tons	30,738	30,355
Grade Copper %	20.57	21.27
Gold oz/ton	0.120	0.198
Silver oz/ton	7.47	12.93

The zinc concentrate was shipped to the Canadian Electrolytic Zinc plant at Valleyfield, to Quebec City for export, and to the United States. The copper concentrate was shipped to the smelter of Noranda Mines Limited.

MILLING:

The mill operated 98.0% of the possible time during the year and metal recoveries were as follows:

	1967	1966
Zinc %	90.9	93.2
Copper %	73.0	74.1

Tonnage milled and operating time in 1967 were essentially unchanged from the previous year. The lower zinc recovery is due mainly to a lower grade of mill feed. By year-end continuous on-stream X-Ray analysis equipment had been installed, and should be completely operative early in 1968. It is anticipated that there will be an improvement in metal recovery and an increase in the grade of concentrate produced.

MINING:

Mine development was directed toward stope and pillar preparation in both No. 1 and No. 2 orebodies.

Access drifts were driven for exploratory diamond drilling of the tuffite horizons below the 750 level, and development of the 960 level was started.

SUMMARY OF DEVELOPMENT FOR 1967

Level	LEVEL DEVELOPMENT		STOPE DEVELOPMENT		DIAMOND DRILLING	
	Drift & Raises Feet	Slash Cu Feet	Advance Feet	Slash Cu Feet	No. of Holes	Total Feet
150	—	—	1,047	4,080	33	3,064
350	584	2,075	8,559	39,925	45	4,663
550	77	50	5,385	32,630	27	2,200
750	3,133	27,171	8,683	81,555	44	21,045
960	1,392	10,315	103	2,265	6	1,413
	5,186	39,611	23,777	160,455	155	32,385

Extension rod drilling amounted to 470,408 feet of two-inch diameter hole and at year-end there was a drilled-off tonnage in the stopes and pillars of 1,251,391 tons. This compares with the drilled-off tonnage in 1966 which was 1,286,052 tons.

A larger percentage of the ore being mined is coming from pillars, and as such there has been an increase in the broken ore reserves from 549,000 tons in 1966 to 692,000 tons by the end of 1967. Pillar recovery is progressing satisfactorily.

ORE RESERVES:

After taking into consideration additional ore outlined by diamond drilling, and lower grade material now economic due to favourable metal prices, the proven ore above the 750 level, without allowance for dilution, now stands as follows for No. 1 orebody:

Tons	Zinc %	Copper %	Gold Oz/Ton	Silver Oz/Ton
16,164,522	10.4	0.69	0.014	1.15

In the No. 2 orebody the ore reserves remain essentially the same, and without allowance for dilution, are as follows:

Tons	Zinc %	Copper %	Gold Oz/Ton	Silver Oz/Ton
1,803,791	10.1	0.75	0.013	0.99

Total ore reserves in both No. 1 and No. 2 orebodies are as follows:

Tons	Zinc %	Copper %	Gold Oz/Ton	Silver Oz/Ton
17,968,313	10.4	0.70	0.014	1.13

From the above it may be noted that an additional 656,138 tons of ore were placed in reserves during 1967.

FILLING:

Stopes are being filled with classified tailings as they are completed. During the year 253,380 dry tons of fill were placed. There are now ten stopes filled and four filling. A total of 1,279,000 dry tons of fill has now been placed.

One pillar has been prepared to be extracted against unconsolidated fill. The results of this work will be known in late 1968 or early 1969.

SURFACE EXCAVATION:

A start was made on the removal of the overburden over No. 1 orebody. By year-end 93,700 cu. yards had been removed. Over a period of three or four years there will be approximately 1½ million cu. yards removed. This is directly over stoping areas that contain approximately 4 million tons of ore in the south-eastern end of the No. 1 orebody. These stopes will be mined through to surface.

DIAMOND DRILLING:

Both surface and underground drilling continued to explore the andesite-rhyolite contact down dip and within the limits of the property. Persistent low values over narrow widths are being obtained.

During the year the former Watson Lake property was staked, and it is planned to further explore the andesite-rhyolite contact on this property and the Isle Dieu property.

The drilling done below the 750 level on the rhyolite-peridotite contact returned low but persistent copper-nickel values.

Diamond drilling below the 750 level in the No. 1 orebody is outlining some lower grade ore vertically beneath No. 1 orebody and away from the andesite-rhyolite contact. This work is incomplete. Detailed drilling started in December, 1967 when the diamond drill moved to the 960 level.

EXPLORATION PROGRAMME:

In July, 1967 Mr. P. O. Hachey joined the Company to take charge of an exploration programme in eastern Canada, and an exploration office was opened in Toronto.

During the year several properties were examined but none showed much promise. An option has been taken on a base metal group in Northern Ontario.

PERSONNEL:

The average number of employees on the payroll for the year was 450. The 1966 figure was 447. Operating efficiency was 12.8 tons milled per man shift worked and compares favourably with the 1966 figure of 11.9 tons milled per man shift worked.

Our accident record in 1967 showed some improvement over that of 1966, and was considerably better than the provincial average. Continued improvement is looked for in 1968.

The turnover in personnel continues high but is much less than that of 1966. At the year-end 67% of the employees had seniority of one year or more. This compares favourably with the 1966 figure of 65%. Additional housing and good working conditions are producing a more stable work force.

GENERAL:

Twenty additional housing units were built and occupied by year-end. The Company now owns 217 units.

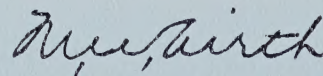
The Town of Matagami added a front addition to the arena, which was a gift of the Company in 1966, to provide change rooms, washrooms and other facilities. Late in the year work started on the recreation centre which will provide a theatre, bowling alley, swimming pool and library facilities.

Planning continued through the year for a hospital, an additional school and a permanent church. It is hoped that the hospital and school addition will be started by April, 1968.

The employees' Recreation Association enjoyed another successful year.

Once again I wish to acknowledge with thanks the assistance and support of the President, Officers and Directors of the Company.

And in conclusion I take great pleasure in acknowledging the hard work, loyalty and full co-operation of the staff and all employees throughout the year.



M. W. AIRTH, P.Eng.,

Mine Manager

Matagami, Quebec,
January 22, 1968

BALANCE SHEET —

ASSETS

	1967	1966
		(note 2)
Current assets:		
Cash and short-term deposits	\$ 7,965,311	247,858
Settlements receivable	2,620,326	3,418,270
Other accounts receivable	347,287	383,287
Concentrates and metal at reduction plants and in transit at estimated net realizable value	9,412,938	9,752,266
Prepaid expense and deposits	184,495	36,805
	<u>20,530,357</u>	<u>13,838,486</u>
Fixed assets, at cost less accumulated depreciation:		
Buildings, plant and equipment:		
Mine site	19,093,412	18,590,068
Zinc plant	19,590,311	18,795,813
	<u>38,683,723</u>	<u>37,385,881</u>
Less accumulated depreciation	13,276,386	9,504,645
	<u>25,407,337</u>	<u>27,881,236</u>
Mining property and rights	2,503,021	2,503,021
Land — zinc plant	85,640	85,640
	<u>27,995,998</u>	<u>30,469,897</u>
Investments:		
In partly owned subsidiaries (note 1):		
Shares at cost	795,494	739,866
Advances	183,702	53,748
	<u>979,196</u>	<u>793,614</u>
In other companies, at cost less amount written off	700,815	748,369
	<u>1,680,011</u>	<u>1,541,983</u>
Other assets:		
Preproduction and development expenses at cost less amounts written off	2,985,945	5,586,888
5% refundable tax	1,052,144	725,780
Mine stores and supplies, at cost	725,962	632,221
	<u>4,764,051</u>	<u>6,944,889</u>
	<u>\$54,970,417</u>	<u>52,795,255</u>
See accompanying notes to financial statements.		

AUDITORS' REPORT

We have examined the balance sheet of Mattagami Lake Mines Limited as of December 31, 1967 and the statements of net income and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
February 14, 1968.

DECEMBER 31, 1967 with comparative figures for 1966

LIABILITIES

	1967	1966
		(note 2)
Current liabilities:		
Accounts payable and accrued liabilities	\$ 907,421	728,763
Due to subsidiary company	36,647	106,180
Quebec mining duties payable	408,616	1,018,451
	<u>1,352,684</u>	<u>1,853,394</u>

Shareholders' equity:

Capital stock (note 3):

Shares of a par value of \$1 each. Authorized 7,000,000 shares;

issued 6,600,000 shares

Premium on shares

Retained earnings (note 2)

Approved on behalf of the Board:

W. S. ROW, Director.

J. B. REDPATH, Director.

<u>\$54,970,417</u>	<u>52,795,255</u>
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TO THE SHAREHOLDERS

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.

MATTAGAMI LAKE MINES LIMITED
(NO PERSONAL LIABILITY)

STATEMENT OF NET INCOME AND RETAINED EARNINGS

Year ended December 31, 1967
with comparative figures for 1966

	1967	1966
	<u> </u>	<u> </u>
		(note 2)
Gross value of metals produced	\$41,482,026	51,181,586
Less smelter and transportation charges	11,235,801	16,966,618
	<u>30,246,225</u>	<u>34,214,968</u>
Expenditures:		
Mine and zinc reduction plant expenses	11,270,289	9,169,500
Administration and corporate expenses	360,646	277,433
	<u>11,630,935</u>	<u>9,446,933</u>
	<u>18,615,290</u>	<u>24,768,035</u>
Depreciation and amortization:		
Buildings, plant and equipment	3,868,372	3,738,616
Preproduction and deferred development expenditures	2,600,943	2,600,943
Debenture discount	—	363,630
	<u>6,469,315</u>	<u>6,703,189</u>
Net operating income	12,145,975	18,064,846
Other income — interest	424,385	185,005
	<u>12,570,360</u>	<u>18,249,851</u>
Other charges:		
Exploration expenses	100,885	—
Write-down of investment	33,206	—
Interest on debentures	—	501,928
	<u>134,091</u>	<u>501,928</u>
	<u>12,436,269</u>	<u>17,747,923</u>
Quebec mining duties	1,510,397	2,220,175
	<u>10,925,872</u>	<u>15,527,748</u>
Retained earnings at beginning of year:		
As previously reported	43,529,941	27,314,115
Adjustment (note 2)	688,078	—
As restated	<u>42,841,863</u>	<u>27,314,115</u>
	53,767,735	27,314,115
Cash dividends	8,250,000	—
	<u>\$45,517,735</u>	<u>42,841,863</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 1967

1. The assets and liabilities and income and expense of the partly owned subsidiary companies have not been consolidated since three of them are part of a joint venture with four other mining companies and the other two companies are inactive exploration companies which are not significant in the circumstances. The Company's share of the net income of the subsidiary companies for the year ended December 31, 1967 was \$66,792 and of their retained earnings since acquisition was \$191,032 at that date. No part of these amounts are included in the accompanying statements.
2. The balance of retained earnings and other accounts affected at December 31, 1966 have been restated from the amounts previously reported to reflect a retroactive reduction of gross value of metals produced in 1966 of \$809,503 and a consequent reduction of Quebec mining duties of \$121,425 for that year.
3. At December 31, 1967 options on 15,500 shares of the Company's capital stock were outstanding to certain key employees at \$14.97 each under the provisions of the Stock Option Plan having been granted in a previous year and are to be exercised on or before April 19, 1976. No options were exercised during the year.
4. The Company's income for 1967 would have been subject to income tax of \$3,800,000 but was offset by preproduction expenditures and depreciation recorded in prior years but being claimed for income tax purposes in the current year. Similar additional amounts are available for reducing income taxes in future years by approximately \$1,500,000 at current rates.
5. The aggregate direct remuneration paid to directors and senior officers during 1967 was \$90,105.

MATTAGAMI LAKE MINES LIMITED
(NO PERSONAL LIABILITY)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1967
with comparative figures for 1966

	<u>1967</u>	<u>1966</u> (note 2)
Funds provided:		
From operations:		
Net profit	\$10,925,872	15,527,748
Charges not requiring cash expenditure:		
Depreciation and amortization	6,469,315	6,703,189
Write-down of investment	33,206	—
Total funds provided	<u>17,428,393</u>	<u>22,230,937</u>
 Used as follows:		
Purchase of fixed assets (net):		
Buildings, plant and equipment:		
Mine site	587,238	532,286
Zinc plant	807,235	6,418,426
	<u>1,394,473</u>	<u>6,950,712</u>
Redemption of debentures	—	7,600,000
Cash dividends	8,250,000	—
Purchase of investments	171,234	53,750
Development expenditures deferred	—	630,592
5% refundable tax	326,364	725,780
Increase (decrease) in mine stores and supplies	93,741	(52,066)
Total funds used	<u>10,235,812</u>	<u>15,908,768</u>
Addition to working capital	<u>\$ 7,192,581</u>	<u>6,322,169</u>

